

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 23, 2007

Bill Number: H.B. 3670

Authors: Mulvaney; Shoopman; Merrill, Harrell, *et. al.*

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by repealing Sections 12-6-530 and 12-6-540 both relating to the imposition of the corporate income tax.

REVENUE IMPACT ^{1/}

This bill would reduce General Fund corporation income tax revenue by an estimated \$314,025,015 in FY2007-08.

Explanation

This bill would repeal Section 12-6-530 and Section 12-6-540 of the 1976 Code of Laws of South Carolina thereby eliminating the corporation income tax. An income tax rate of five percent is imposed annually on the South Carolina taxable income of every corporation transacting or engaging in any activity for the purpose of financial profit or gain. Corporations taxed under Section 12-6-530 are commonly referred to as "C"-corporations. Companies structured under Section 12-6-540, such as exempt organizations described in IRS Code Sections 501 through 528 and cooperatives, are also imposed annually an income tax rate of five percent on South Carolina taxable income. Based on the Board of Economic Advisor's revenue forecast made on February 15, 2007, the repeal of Sections 12-6-530 and 12-6-540 of the Code of Laws would reduce General Fund corporation income tax revenue by an estimated \$314,025,015 in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.